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August 10, 2000

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OFFICE OF THE
EXECUTIVE SECRETARY

VIA HAND DELIVERY

Mr. David Waddell, Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243

00-00702

Re: Modification of Contract Service Arrangement ("CSA") Early
Termination Liability Provisions

Dear Mr. Waddell:

As you know, BellSouth negotiated a Proposed Settlement Agreement of the Show Cause proceeding with the Staff Petitioners. While the Directors did not approve the proposed settlement as presented, Director Greer requested that we review our CSAs and consider revising our CSA language, on a voluntary going-forward basis, to include language that is consistent with the proposed settlement. At the August 1 Directors' conference, Director Malone asked where we stood on Director Greer's request. This letter addresses those issues.

First, BellSouth believes that its CSAs already comply in all respects with both the Authority's rulings and applicable law, and the Authority has agreed, although not always unanimously. Second, in the Show Cause Proceeding, BellSouth made clear to the Staff Petitioners and to the Authority its concern that if BellSouth voluntarily implemented limitations on termination liability and its competitors refused to do so, BellSouth would be placed in an unfair competitive situation. Third, BellSouth submits, and the Authority has agreed, that a rulemaking proceeding to address early termination liability on an industry-wide basis is the proper resolution of this matter, and such a proceeding will alleviate BellSouth's second concern above. And fourth, there are a significant number of CSAs "in the pipeline" which have been presented to or negotiated with customers based on existing Authority precedents. It would be burdensome, unfair and

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competitively discriminatory to require those CSAs to be "voluntarily modified" at this date, especially given the status of this docket.

Notwithstanding the foregoing, but in full recognition thereof, as a showing of the good-faith nature of its negotiations with the Staff Petitioners and of its desire to address Director Greer's request, BellSouth will agree to modify the early termination liability provisions in its CSA contract proposals to make such provisions consistent with the early termination liability limitations set forth in the Proposed Settlement Agreement on a prospective basis as outlined below. Specifically, with respect to CSAs presented by BellSouth to prospective customers after August 1, 2000, BellSouth will propose modified termination liability language with regard to services provided within the state of Tennessee that is consistent with the language of the Proposed Settlement Agreement. Because CSA proposals are subject to negotiations, BellSouth cannot ensure that each customer will agree to the modified termination liability language BellSouth will be proposing. BellSouth, however, will propose such language in both service specific and volume and term CSAs. This is a Tennessee-specific change to BellSouth's CSA proposals and, as such, it will take some time to implement. BellSouth is willing to voluntarily do this, however, because this issue has taken too much of the resources of the company and the Authority to resolve. We feel, and the Staff Petitioners obviously feel by their agreement to the settlement, that a fair resolution consistent with the Authority's policy concerns was reached. Thus, we feel that we can move forward in good faith toward an industry-wide resolution of these issues.

Given this voluntary action by BellSouth, we would draw the Authority's attention back to the Rulemaking. While the Authority has voted to convene a rulemaking proceeding to address early termination liability on an industry-wide basis, a notice of such rulemaking proceeding has not yet issued. It would appear, therefore, that it could be some time before rules addressing termination liability on an industry-wide basis take effect. Accordingly, in light of the competitive fairness concerns addressed above, BellSouth is not revising the early termination liability provisions set forth in its tariffs at this time. BellSouth acknowledges that prospective tariff revisions may be required as a result of the rulemaking proceeding.

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Given BellSouth's good faith agreement to address Director Greer's request and given BellSouth's continuing concerns about competitive fairness, BellSouth respectfully requests that the Authority issue a notice of a rulemaking proceeding to address termination liability on an industry-wide basis and move forward with the rulemaking proceeding as soon as reasonably possible.

Very truly yours,

A handwritten signature in black ink, appearing to be "Guy M. Hicks", enclosed within a large, loopy oval shape.

Guy M. Hicks

GMH:ch